

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Township of Pavilion
Kalamazoo County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2006

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net assets	4
Statement of activities	5
Fund financial statements:	
Balance sheet - governmental funds	6
Statement of revenues, expenditures, and changes in fund balances - governmental funds	7 - 8
Statement of fiduciary net assets - agency fund	9
Notes to financial statements	10 - 17
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedules:	
General Fund	18 - 19
Sewer Fund	20
SUPPLEMENTARY INFORMATION	
Combining balance sheet - nonmajor governmental funds	21
Combining statement of revenues, expenditures, and changes in fund balances - nonmajor governmental funds	22

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Township of Pavilion, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Township of Pavilion, Michigan, as of March 31, 2006, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of Township of Pavilion, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Township of Pavilion, Michigan, as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information on pages 18 through 20 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Township of Pavilion, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Pavilion, Michigan's basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Siegfried Crandall P.C.

April 19, 2006

BASIC FINANCIAL STATEMENTS

Township of Pavilion
STATEMENT OF NET ASSETS
March 31, 2006

**Governmental
activities**

ASSETS

Current assets:

Cash	\$ 755,197
Receivables, net	180,450
Prepaid expenses	<u>5,592</u>

Total current assets 941,239

Noncurrent assets:

Receivables, net	1,277,702
Capital assets, net of accumulated depreciation	<u>1,117,572</u>

Total noncurrent assets 2,395,274

Total assets 3,336,513

LIABILITIES

Current liabilities:

Payables	48,687
Current portion of long-term obligations	<u>32,681</u>

Total current liabilities 81,368

Noncurrent liabilities:

Long-term obligations	<u>811,607</u>
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Total liabilities 892,975

NET ASSETS

Invested in capital assets 1,117,572

Restricted for:

Public works	617,897
Debt service	220,328
Unrestricted	<u>487,741</u>

Total net assets \$ 2,443,538

See notes to financial statements

Township of Pavilion
STATEMENT OF ACTIVITIES
Year ended March 31, 2006

	<u>Program revenues</u>				<u>Net (expenses) revenues and changes in net assets</u>
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>Governmental activities</u>
Functions/Programs					
Governmental activities:					
Legislative	\$ 7,721	\$ -	\$ -	\$ -	\$ (7,721)
General government	369,048	77,581	-	-	(291,467)
Public safety	170,218	40,213	-	-	(130,005)
Public works	311,238	38,277	4,952	437,528	169,519
Community and economic development	14,369	9,876	-	-	(4,493)
Interest on long-term obligations	42,966	45,943	-	-	2,977
Total governmental activities	<u>\$ 915,560</u>	<u>\$ 211,890</u>	<u>\$ 4,952</u>	<u>\$ 437,528</u>	<u>(261,190)</u>
General revenues:					
Taxes					146,578
State grants					400,257
Investment income					22,827
Other					<u>7,487</u>
Total general revenues					<u>577,149</u>
Change in net assets					315,959
Net assets - beginning					<u>2,127,579</u>
Net assets - ending					<u>\$ 2,443,538</u>

See notes to financial statements

Township of Pavilion
BALANCE SHEET - governmental funds
 March 31, 2006

	<u>General</u>	<u>Sewer</u>	<u>Indian/ Pickeral Debt</u>
ASSETS			
Cash	\$ 288,413	\$ 176,231	\$ 9,857
Receivables	<u>76,621</u>	<u>415,180</u>	<u>351,056</u>
Total assets	<u>\$ 365,034</u>	<u>\$ 591,411</u>	<u>\$ 360,913</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	\$ 31,663	\$ -	\$ 12,424
Deferred revenue	<u>-</u>	<u>208,874</u>	<u>348,489</u>
Total liabilities	31,663	208,874	360,913
Fund balances:			
Unreserved, undesignated	<u>333,371</u>	<u>382,537</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 365,034</u>	<u>\$ 591,411</u>	<u>\$ 360,913</u>

Total fund balances - total governmental funds

Amounts reported for *governmental activities* in the statement of net assets (page 4) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Accrued interest and prepaid expenses are not current financial resources and, therefore, are not reported in the funds.

Special assessments receivable are not available to pay for the current period's expenditures and, therefore, are deferred in the funds.

Long-term liabilities, including contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Interest related to long-term liabilities is not due and payable in the current period and, therefore, is not reported in the funds.

Net assets of *governmental activities*

<i><u>Northwest Water Debt</u></i>	<i><u>Sewer Debt</u></i>	<i><u>Other nonmajor governmental funds</u></i>	<i><u>Total governmental funds</u></i>
\$ 112,034	\$ 2,110	\$ 166,552	\$ 755,197
<u>372,127</u>	<u>234,457</u>	<u>3,556</u>	<u>1,452,997</u>
<u>\$ 484,161</u>	<u>\$ 236,567</u>	<u>\$ 170,108</u>	<u>\$ 2,208,194</u>

\$ -	\$ -	\$ -	\$ 44,087
<u>368,335</u>	<u>234,457</u>	<u>1,736</u>	<u>1,161,891</u>
368,335	234,457	1,736	1,205,978
<u>115,826</u>	<u>2,110</u>	<u>168,372</u>	<u>1,002,216</u>
<u>\$ 484,161</u>	<u>\$ 236,567</u>	<u>\$ 170,108</u>	<u>\$ 2,208,194</u>

\$ 1,002,216

1,117,572

10,747

1,161,891

(844,288)

(4,600)

\$ 2,443,538

See notes to financial statements

Township of Pavilion**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - governmental funds**

Year ended March 31, 2006

	<u>General</u>	<u>Sewer</u>	<u>Indian/ Pickeral Debt</u>
REVENUES			
Taxes	\$ 206,093	\$ -	\$ -
Licenses and permits	40,213	-	-
State grants	405,209	-	-
Charges for services	40,777	-	-
Interest and rentals	8,947	7,751	21,583
Other	<u>7,487</u>	<u>22,384</u>	<u>51,554</u>
Total revenues	<u>708,726</u>	<u>30,135</u>	<u>73,137</u>
EXPENDITURES			
Legislative	7,721	-	-
General government	367,316	-	-
Public safety	130,429	-	-
Public works	67,041	225,397	-
Community and economic development	14,369	-	-
Capital outlay	11,836	-	-
Debt service:			
Principal	38,152	-	51,554
Interest	<u>1,003</u>	<u>-</u>	<u>21,583</u>
Total expenditures	<u>637,867</u>	<u>225,397</u>	<u>73,137</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	70,859	(195,262)	-
OTHER FINANCING SOURCES			
Debt proceeds	<u>-</u>	<u>215,800</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	70,859	20,538	-
FUND BALANCES - BEGINNING	<u>262,512</u>	<u>361,999</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 333,371</u>	<u>\$ 382,537</u>	<u>\$ -</u>

<i>Northwest Water Debt</i>	<i>Sewer Debt</i>	<i>Total nonmajor governmental funds</i>	<i>Total governmental funds</i>
\$ -	\$ -	\$ -	\$ 206,093
-	-	-	40,213
-	-	-	405,209
-	-	-	40,777
26,426	2,440	3,710	70,857
<u>55,685</u>	<u>6,720</u>	<u>21,630</u>	<u>165,460</u>
 82,111	 9,160	 25,340	 928,609
-	-	-	7,721
-	-	-	367,316
-	-	-	130,429
826	-	17,175	310,439
-	-	-	14,369
-	-	-	11,836
80,000	-	-	169,706
<u>15,930</u>	<u>7,050</u>	<u>-</u>	<u>45,566</u>
 96,756	 7,050	 17,175	 1,057,382
 (14,645)	 2,110	 8,165	 (128,773)
 -	 -	 -	 215,800
 (14,645)	 2,110	 8,165	 87,027
<u>130,471</u>	<u>-</u>	<u>160,207</u>	<u>915,189</u>
<u>\$ 115,826</u>	<u>\$ 2,110</u>	<u>\$ 168,372</u>	<u>\$ 1,002,216</u>

See notes to financial statements

Township of Pavilion

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - governmental funds

(Continued)

Year ended March 31, 2006

	<u>Total governmental funds</u>
Net change in fund balances - total governmental funds	\$ 87,027
Amounts reported for <i>governmental activities</i> in the statement of activities (page 5) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$63,582) exceeded capital outlays (\$27,506) in the current period.	(36,076)
Accrued interest and prepaid expenses are not current financial resources and, therefore, are not reported in the funds.	10,747
Creation of special assessments do not provide current financial resources to the governmental funds, thereby increasing deferred revenue in the governmental funds. Collections on special assessments receivable is a revenue in the governmental funds, but the collections reduce long-term receivables in the statement of net assets. This is the amount by which new special assessments created (\$434,778) exceeded collections (\$137,023) in the current period.	297,755
Creation of long-term obligations does not require the use of current financial resources in the governmental funds but increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditures in the governmental funds but reduces long-term obligations in the statement of net assets. This is the amount by which obligations created (\$215,800) exceeded repayments (\$169,706) in the current period.	(46,094)
Interest expense is recorded when incurred in the statement of activities.	<u>2,600</u>
Change in net assets of <i>governmental activities</i>	<u>\$ 315,959</u>

See notes to financial statements

Township of Pavilion

STATEMENT OF FIDUCIARY NET ASSETS - *Agency Fund*

March 31, 2006

ASSETS

Cash	\$ <u>461</u>
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LIABILITIES

Due to other governmental units	\$ <u>461</u>
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See notes to financial statements

Township of Pavilion
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Pavilion, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

Township of Pavilion
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) *Measurement focus, basis of accounting, and financial statement presentation* (continued):

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Sewer Fund accounts for the financial resources used for the expansion and maintenance of sewer lines within the Township. Revenues are primarily derived from connection fees and special assessments.

The Indian/Pickeral Debt Fund accounts for the financial resources used for payments of long-term contractual obligations to the South County Sewer and Water Authority. Revenues are primarily derived from special assessments.

The Northwest Water Debt Fund accounts for the financial resources used for payments of long-term bond obligations. Revenues are primarily derived from special assessments.

The Sewer Debt Fund accounts for the financial resources used for payments of long-term bond obligations. Revenues are primarily derived from special assessments.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). The Township has elected not to follow subsequent private-sector standards.

The Township reports a single fiduciary fund, Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

d) *Assets, liabilities, and net assets or equity:*

i) *Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) *Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

Township of Pavilion
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity* (continued):

iii) *Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 40 years
Equipment	3 - 5 years
Vehicles	3 - 20 years
Infrastructure	40 years

v) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vi) *Special assessment recognition* - In governmental funds, special assessment revenue is recorded as deferred when initially assessed. Revenues are recognized to the extent that special assessments are collected. Interest income on special assessments receivable is not accrued until its due date.

vii) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

Township of Pavilion
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. The Township's significant budget variations are as follows:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Sewer	Public works	\$ 49,200	\$ 225,397	\$ (176,197)

NOTE 3 - CASH:

The Township's cash is as follows:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Cash	\$ 755,197	\$ 461	\$ 755,658

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At March 31, 2006, the Township had deposits with a carrying amount of \$755,658.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2006, \$480,906 of the Township's bank balances of \$756,014 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Township of Pavilion
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables as of year end for the government's individual major and nonmajor funds, in the aggregate, are as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Property taxes</i>	<i>Special assessments</i>	<i>Inter- governmental</i>	<i>Totals</i>
General	\$ 2,400	\$ 7,799	\$ -	\$ 66,422	\$ 76,621
Sewer	-	-	209,662	205,518	415,180
Indian/Pickeral Debt	-	-	351,056	-	351,056
Northwest Water Debt	-	-	372,127	-	372,127
Sewer Debt	-	-	234,457	-	234,457
Other governmental	-	-	3,556	-	3,556
Totals	\$ 2,400	\$ 7,799	\$ 1,170,858	\$ 271,940	\$ 1,452,997
Noncurrent portion	\$ -	\$ -	\$ 1,072,184	\$ 205,518	\$ 1,277,702

All receivables are considered fully collectible.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2006, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 68,509	\$ -	\$ -	\$ 68,509
Capital assets being depreciated:				
Buildings and improvements	482,331	-	-	482,331
Equipment	218,626	17,059	5,109	230,576
Vehicles	434,815	-	-	434,815
Infrastructure	442,001	10,447	-	452,448
Subtotal	1,577,773	27,506	5,109	1,600,170
Less accumulated depreciation for:				
Buildings and improvements	166,573	12,721	-	179,294
Equipment	129,109	18,183	5,109	142,183
Vehicles	185,902	21,432	-	207,334
Infrastructure	11,050	11,246	-	22,296
Subtotal	492,634	63,582	5,109	551,107
Total capital assets being depreciated, net	1,085,139	(36,076)	-	1,049,063
Governmental activities capital assets, net	\$ 1,153,648	\$ (36,076)	\$ -	\$ 1,117,572

Township of Pavilion
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 18,252
Public safety	34,084
Public works	<u>11,246</u>
	<u>\$ 63,582</u>

NOTE 6 - NONCURRENT LIABILITIES:

Long-term debt at March 31, 2006, is comprised of the following individual issues:

Governmental activities

Contract Payable:

The Township has agreed to remit to the South County Sewer and Water Authority all principal and interest collections arising from special assessments levied on Township properties served by the Authority. In the event that the Authority is unable to meet its debt service requirements, an assessment may be made against the Township of Pavilion and a neighboring township. The Township has pledged its full faith and credit for the payment of its share (26.56%) of any such deficiency.

\$ 348,488

Purchase agreement:

\$215,800 2005 installment purchase agreement due in annual installments of \$1,000 to \$37,000, plus interest at 4.8%. Final payment is due April 2020.

215,800

Bonds payable:

\$555,000 2002 special assessment bonds due in annual installments of \$5,000 to \$40,000 starting June 2003, through June 2017, plus interest at 4.9%.

280,000

Total governmental activities

\$ 844,288

Long-term debt activity for the year ended March 31, 2006, was as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
Governmental activities:					
Contract payable	\$ 400,042	\$ -	\$ (51,554)	\$ 348,488	\$ 31,681
Purchase agreement	38,152	215,800	(38,152)	215,800	1,000
Bonds payable	<u>360,000</u>	<u>-</u>	<u>(80,000)</u>	<u>280,000</u>	<u>-</u>
Total governmental activities	<u>\$ 798,194</u>	<u>\$ 215,800</u>	<u>\$ (169,706)</u>	<u>\$ 844,288</u>	<u>\$ 32,681</u>

Township of Pavilion
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - NONCURRENT LIABILITIES (Continued):

At March 31, 2006, debt service requirements on long-term debt are follows:

<u>Year ended</u> <u>March 31,</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 32,681	\$ 41,502
2008	32,681	39,870
2009	32,681	38,238
2010	32,681	36,606
2011	68,481	34,974
2012 - 2016	511,405	100,356
2017 - 2020	133,678	7,760
Totals	<u>\$ 844,288</u>	<u>\$ 299,306</u>

NOTE 7 - PAYABLES:

<u>Fund</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Payroll</u>	<u>Totals</u>
General	\$ 16,416	\$ -	\$ 15,247	\$ 31,663
Indian/Pickeral Debt	-	12,424	-	12,424
Totals	<u>\$ 16,416</u>	<u>\$ 12,424</u>	<u>\$ 15,247</u>	<u>\$ 44,087</u>

NOTE 8 - DEFERRED REVENUE:

Governmental funds report deferred revenues in connection with revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenues are as follows:

<u>Fund</u>	<u>Special Assessments</u>
	<u>Unavailable</u>
Sewer	\$ 208,874
Indian/Pickeral Debt	348,489
Northwest Water Debt	368,335
Sewer Debt	234,457
Other governmental	1,736
Totals	<u>\$ 1,161,891</u>

Township of Pavilion
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2006, is as follows:

Permit revenue	\$ 40,213
Inspections	<u>(40,213)</u>
Excess of revenues over expenses	<u>\$ -</u>

NOTE 10 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 11- DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for all its elected officials through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan State Statute assigns the authority to establish and amend benefit provisions to the Township Board of Trustees. Officials are eligible to participate from the date they are elected to office. The Township annually contributes 10% of the participant's base salary or \$200, whichever is more, and participants are immediately 100% vested. The Township made the required contributions of \$14,016. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Pavilion
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 188,500	\$ 188,500	\$ 206,093	\$ 17,593
Licenses and permits	45,000	45,000	40,213	(4,787)
Federal grants	30,000	30,000	-	(30,000)
State grants	415,000	415,000	405,209	(9,791)
Charges for services	33,500	33,500	40,777	7,277
Interest and rentals	8,400	8,400	8,947	547
Other	10,000	10,000	7,487	(2,513)
Total revenues	<u>730,400</u>	<u>730,400</u>	<u>708,726</u>	<u>(21,674)</u>
EXPENDITURES				
Legislative	<u>12,600</u>	<u>12,600</u>	<u>7,721</u>	<u>4,879</u>
General government:				
Supervisor	45,150	45,150	44,891	259
Election	15,800	15,800	5,039	10,761
Assessor	46,694	46,694	44,562	2,132
Clerk	42,850	42,850	42,459	391
Board of review	3,160	3,160	1,376	1,784
Treasurer	57,500	58,500	56,918	1,582
Hall and grounds	63,200	81,400	77,644	3,756
Cemetery	19,000	19,850	16,455	3,395
Other	113,800	93,750	77,972	15,778
Total general government	<u>407,154</u>	<u>407,154</u>	<u>367,316</u>	<u>39,838</u>
Public safety:				
Fire protection	84,900	96,000	90,216	5,784
Building inspections	<u>45,300</u>	<u>45,300</u>	<u>40,213</u>	<u>5,087</u>
Total public safety	<u>130,200</u>	<u>141,300</u>	<u>130,429</u>	<u>10,871</u>
Public works:				
Highways and streets	60,000	46,300	43,252	3,048
Street lights	1,400	1,400	1,236	164
Collection station	24,765	24,765	20,049	4,716
Drains	<u>-</u>	<u>2,600</u>	<u>2,504</u>	<u>96</u>
Total public works	<u>86,165</u>	<u>75,065</u>	<u>67,041</u>	<u>8,024</u>

Township of Pavilion
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)
Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Community and economic development - planning and zoning	\$ 16,125	\$ 16,125	\$ 14,369	\$ 1,756
Capital outlay	120,100	120,100	11,836	108,264
Debt service - principal	41,000	41,000	38,152	2,848
Debt service - interest	2,500	2,500	1,003	1,497
Total expenditures	815,844	815,844	637,867	177,977
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(85,444)	(85,444)	70,859	156,303
OTHER FINANCING USES				
Transfer to Sewer Fund	(2,000)	(2,000)	-	2,000
NET CHANGE IN FUND BALANCES	(87,444)	(87,444)	70,859	158,303
FUND BALANCES - BEGINNING	262,512	262,512	262,512	-
FUND BALANCES - ENDING	\$ 175,068	\$ 175,068	\$ 333,371	\$ 158,303

Township of Pavilion
BUDGETARY COMPARISON SCHEDULE - Sewer Fund
Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Interest	\$ 9,200	\$ 9,200	\$ 7,751	\$ (1,449)
Other	<u>40,000</u>	<u>40,000</u>	<u>22,384</u>	<u>(17,616)</u>
Total revenues	49,200	49,200	30,135	(19,065)
EXPENDITURES				
Public works	<u>49,200</u>	<u>49,200</u>	<u>225,397</u>	<u>(176,197)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	-	-	(195,262)	(195,262)
OTHER FINANCING SOURCES				
Debt proceeds	<u>-</u>	<u>-</u>	<u>215,800</u>	<u>215,800</u>
NET CHANGE IN FUND BALANCES	-	-	20,538	20,538
FUND BALANCES - BEGINNING	<u>361,999</u>	<u>361,999</u>	<u>361,999</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 361,999</u>	<u>\$ 361,999</u>	<u>\$ 382,537</u>	<u>\$ 20,538</u>

SUPPLEMENTARY INFORMATION

Township of Pavilion
COMBINING BALANCE SHEET - nonmajor governmental funds
 March 31, 2006

	Special revenue funds			
	<u>Revolving Improvement</u>	<u>Lakeview/Coles Landing Road</u>	<u>Street Lighting #1</u>	<u>Street Lighting #2</u>
ASSETS				
Cash	\$ 143,622	\$ 3,026	\$ 2,467	\$ 1,198
Receivables	<u>-</u>	<u>195</u>	<u>131</u>	<u>12</u>
Total assets	<u>\$ 143,622</u>	<u>\$ 3,221</u>	<u>\$ 2,598</u>	<u>\$ 1,210</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Deferred revenue	\$ -	\$ -	\$ -	\$ -
Fund balance:				
Unreserved, undesignated	<u>143,622</u>	<u>3,221</u>	<u>2,598</u>	<u>1,210</u>
Total liabilities and fund balances	<u>\$ 143,622</u>	<u>\$ 3,221</u>	<u>\$ 2,598</u>	<u>\$ 1,210</u>

<i>Special revenue funds</i>				
<u><i>Street Lighting #3</i></u>	<u><i>Weed Control</i></u>	<u><i>Water</i></u>	<u><i>Tobey Road</i></u>	<u><i>Totals</i></u>
\$ (521) 918	\$ 5,842 378	\$ 5,643 -	\$ 5,275 1,922	\$ 166,552 3,556
<u>\$ 397</u>	<u>\$ 6,220</u>	<u>\$ 5,643</u>	<u>\$ 7,197</u>	<u>\$ 170,108</u>
\$ -	\$ -	\$ -	\$ 1,736	\$ 1,736
<u>397</u>	<u>6,220</u>	<u>5,643</u>	<u>5,461</u>	<u>168,372</u>
<u>\$ 397</u>	<u>\$ 6,220</u>	<u>\$ 5,643</u>	<u>\$ 7,197</u>	<u>\$ 170,108</u>

Township of Pavilion**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended March 31, 2006

	<i>Special revenue funds</i>			
	<i>Revolving Improvement</i>	<i>Lakeview/Coles Landing Road</i>	<i>Street Lighting #1</i>	<i>Street Lighting #2</i>
REVENUES				
Interest	\$ 3,488	\$ -	\$ -	\$ -
Other	-	3,575	3,265	2,160
Total revenues	3,488	3,575	3,265	2,160
EXPENDITURES				
Public works	-	3,900	3,528	2,196
NET CHANGE IN FUND BALANCES	3,488	(325)	(263)	(36)
FUND BALANCES - BEGINNING	140,134	3,546	2,861	1,246
FUND BALANCES - ENDING	\$ 143,622	\$ 3,221	\$ 2,598	\$ 1,210

<i>Special revenue funds</i>				
<u>Street Lighting #3</u>	<u>Weed Control</u>	<u>Water</u>	<u>Tobey Road</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ 222	\$ 3,710
1,136	8,064	-	3,430	21,630
1,136	8,064	-	3,652	25,340
739	6,812	-	-	17,175
397	1,252	-	3,652	8,165
-	4,968	5,643	1,809	160,207
<u>\$ 397</u>	<u>\$ 6,220</u>	<u>\$ 5,643</u>	<u>\$ 5,461</u>	<u>\$ 168,372</u>